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International Mogul Mines Limited

ANNUAL REPORT
NOTICE OF MEETING
INFORMATION CIRCULAR

December 31, 1977

Directors

M. P. Connell, Toronto, Ontario
Chairman of the Board of the Corporation and
President, Conwest Exploration Company Limited

C. C. Coolican, Toronto, Ontario
Partner, McCarthy & McCarthy

D. J. Hains, Toronto, Ontario
President, Lurgi Canada Limited

I. F. T. Kennedy, Toronto, Ontario
Vice-President of the Corporation
and Conwest Exploration Company Limited

J. C. Lamacraft, Toronto, Ontario
President of the
Corporation

Officers

M. P. Connell, Chairman of the Board

J. C. Lamacraft, President

I. F. T. Kennedy, Vice-President

C. K. O'Connor, Vice-President,
Exploration and Development

J. A. Patterson, Secretary-Treasurer

J. S. Adams, Assistant Secretary-Treasurer

Auditors
Thorne Riddell & Co., Toronto, Ontario

Counsel
Davies, Ward & Beck, Toronto, Ontario

Transfer Agent and Registrar
Guaranty Trust Company of Canada,
Toronto and Calgary

Bankers
The Toronto-Dominion Bank,
Toronto, Ontario

Listing
The Toronto Stock Exchange

Head Office
85 Richmond Street West
10th Floor
Toronto, Ontario
M5H 2G1

Annual Meeting
June 30, 1978
1:30 p.m.
The Johnston Room 1 & 2
Hotel Toronto
145 Richmond Street West
Toronto, Ontario

Directors' Report to Shareholders

To the Shareholders,
International Mogul Mines Limited.

Your Directors submit the Annual Report for the year ended December 31, 1977. Included are the consolidated financial statements of the Company and the auditors' report thereon. Also enclosed are the notice of annual meeting, information circular and form of proxy.

Financial

Income for the year ended December 31, 1977 was $706,000 before writing off $2,403,000 of deferred acquisition, exploration and development costs of mining properties incurred in previous years, resulting in a loss of $1,698,000 or $0.83 per common share. Working capital derived from operations was $633,000 or $0.25 per common share.

The Company is in a strong financial position. Working capital at year end was $3,426,000 and the quoted market value of investments, which are reflected in the balance sheet as non-current assets, was $6,321,000. Subsequent to the year end, a subsidiary company issued $10,000,000 aggregate par value of floating rate First Preference Shares, having a five-year term, to a Canadian chartered bank. These shares carry a cumulative preferential dividend at a floating rate related to the prime, with the present dividend rate being 6.0%. This issue significantly increases the capital base of the Company for the medium term at a favourable cost of capital.

Oil and Gas Interests

During 1977 the Company continued to concentrate on establishing a base for direct participation in the Canadian oil and gas industry. Your Directors continue to believe that the industry offers an excellent opportunity for long-term growth of assets and income and will provide the most immediate, direct and predictable method of utilizing the substantial income tax shelter available to the Company and its subsidiaries currently estimated to be approximately $20,000,000.

During the year, over twenty potential acquisitions were reviewed and/or evaluated and one acquisition was successfully completed when 100% of the shares of two related companies, Scotfield Oil & Gas Ltd. and Myrol Petroleums Ltd., were acquired in September. This acquisition is a diversified package of Alberta natural gas properties with proven and probable reserves of approximately 19.8 B.C.F. as at December 31, 1977, before deduction of royalty interests (principally Crown royalty). Approximately half of the reserves are under contract and currently on production.

The Company has established a budget for oil and gas exploration projects. It is anticipated that initially exploration will be limited to low-risk exploration plays adjacent to or near existing production and that risk will be shared with joint venture partners.

The level of activity in the Canadian oil and gas industry, particularly in Alberta and British Columbia, continued at a record pace in 1977. Producing companies have reported record profits, cash flow and reinvestment in exploration and development. Discoveries of significant new reserves have been reported. Stock market volumes and prices for shares of Canadian oil and gas producers have been at high levels and numerous takeovers of public and private production and exploration companies have occurred. Foreign and domestically funded drilling funds have become increasingly popular. Companies with established banks of land and mineral rights continue to be favoured by escalating land prices and these other developments.

The prospects for continuation of the high level of activity for the immediate and medium term are uncertain. It would appear that increased exports of natural gas to the United States, either through acceleration of deliveries under existing contracts or through non short-term contracts, are essential if the momentum of the industry in western Canada is to be maintained, and in the circumstances, it is reasonable to assume that uncontracted Alberta gas will probably not be brought on stream until 1980 at the earliest.

Your Directors believe that the long-term outlook for this industry remains positive and that the short-term uncertainties will occasion opportunities for further acquisitions.

Mining Exploration Interests

Your Company maintained its 5% participation in the Conwest Canadian Uranium Exploration Joint Venture. The Joint Venture has a 66⅔% interest in two groups of claim blocks in Saskatchewan which overlie the edge of the Athabasca Basin for an aggregate length of approximately 55 miles between the Key Lake uranium deposits and those of Gulf Minerals near Wollaston Lake. These claim blocks, which comprise about 330,000 acres, will continue to justify intense exploration and a large budget for at least the next several years. A report of the Technical Director of the Joint Venture is appended.

The Company continues to maintain its interests in various mining properties which are reviewed in the report of the Vice-President, Exploration and Development, which is appended. The Company has initiated a new base metals joint venture in Saskatchewan with Saskatchewan Mining Development Corporation.

During the year the Company abandoned or determined it has no further economic interest in certain exploration projects, and deferred exploration and development expenditures of $2,400,000 incurred in prior years have been written off. The principal projects are as follows: Intermogul Mines Limited (Italy — under option to Cominco Ltd.); Duncan Range Iron Mines Limited (Quebec — permits expired); Israel Continental (Washington State — under option to Granby Mining); Intermine Limited (U.K. — under option to Cominco Ltd.).

Subsequent to the year end, the Company has, subject to certain regulatory approval, sold its 90% interest in Harlow Wright Inc. for approximately $650,000. Delhi Pacific Mines Limited, an effectively controlled company, has similarly sold its 10% interest in Harlow Wright Inc. for approximately $75,000.

Your Directors look forward to the next year with optimism. The 1978 year should mark the return to profitable operations after three successive loss years. The Company is in a strong financial position and is in a position to take advantage of opportunities for further acquisitions in the oil and gas sector.

On behalf of the Board,

JOHN C. LAMACRAFT,
President.

Toronto, Ontario.
May 26, 1978.

Oil and Gas Interests

Summary of Proven and Probable Gas Reserves December 31, 1977

	Working Interest Reserves October 1, 1977 MMSCF.	Production October-December MMSCF.	Working Interest Reserves December 31, 1977 MMSCF.
Proven reserves	15,602,000	378,000	15,224,000
Probable reserves	4,564,000		4,564,000
	20,166,000	378,000	19,788,000

The above reserve figures are based upon an independent consultant's report prepared for the Company as at July 1, 1977 and updated to year-end by Company personnel.

Reserves have been assigned to ten properties, of which five are presently under contract and on production. These properties are all located in the Province of Alberta.

Working interest reserves mean those reserves owned by the Company before the deduction of royalty interests (principally Crown royalty) and mineral taxes on Alberta freehold property.

Proven reserves are those established by existing production, by adequate tests and other information on zones behind pipe in existing wells or those existing beneath undeveloped tracts offsetting or between producing wells where geological control confirms the presence of these reserves.

Probable reserves are those estimated for locations or areas beyond proven control where geological data reasonably confirm satisfactory structural and formational characteristics; for those in zones behind pipe in existing wells where data reasonably confirm the presence of these reserves, but where such data are inadequate to establish proof of the productivity of the reserves.

Summary of Operating Results
Three-Month Period From
October 1 to December 31, 1977

Oil and gas production	$489,000
Operating expenses	67,000
Cash flow from operations	422,000
Capital expenditures	110,082
Net cash flow	$311,918

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International Mogul Mines Limited

Consolidated Statement of Changes in Financial Position

For the six months ended June 30
(unaudited)

	1977	1976
WORKING CAPITAL DERIVED FROM		
Operations	$ 155,000	—
Fixed asset disposals	—	$ 5,000
Proceeds on sale of subsidiaries less working capital disposed of $2,294,000	—	9,317,000
Proceeds on investments .	1,465,000	528,000
	1,620,000	9,850,000
WORKING CAPITAL APPLIED TO		
Operations	—	88,000
Portfolio investments ...	2,218,000	588,000
Interest in Coldstream Mines Limited	—	199,000
Mining interests and deferred exploration ..	50,000	72,000
Preference share dividends	175,000	175,000
	2,443,000	1,122,000
Increase (decrease) in working capital position .	(823,000)	8,728,000
Working capital (deficiency) at beginning of period ..	9,792,000	(1,948,000)
WORKING CAPITAL AT END OF PERIOD	$8,969,000	$6,780,000

Printed in Canada

International Mogul Mines Limited

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Interim Report
Six Months Ended
June 30, 1977

adjacent to the Goldstream River prospect of Noranda Mines Limited near Revelstoke, B.C. Exploration to date on the Company's claims has not detected signficant drill targets.

The Company holds a 7.1% interest in New Quebec Raglan Mines Limited. Falconbridge Nickel Mines Limited beneficially owns approximately

Company's investment of $1,613,000 in these companies has been written off.

Respectfully submitted

C. K. O'Connor
Vice-President, Exploration
and Development

International Mogul Mines Limited

1010 - 85 Richmond Street West
Toronto, Ontario M5H 2G1

To the Shareholders:

Enclosed are the interim unaudited financial statements for the six months ended June 30, 1977.

Exploration

Your Company holds a 37% interest in Duncan Range Iron Mines Limited which holds under a mining exploration licence low-grade beneficiating iron deposits in the James Bay area of Quebec. Exploration and development expenditures in the amount of $527,000 incurred by your Company in prior years in connection with this project have been written off as at June 30, 1977 in anticipation of the expiry in August, 1977 of the Duncan Range exploration licence.

Your Company has reached agreement in principle for a regional base metal exploration joint venture in Canada. The tentative budget for the programme, including a provision for diamond drilling, is $400,000 over a two-year period, of which your Company's share would be $200,000.

The Conwest Canadian Uranium Exploration Joint Venture, in which your Company holds a 5% interest, continues to explore prospects in Ontario, Newfoundland, Quebec, Saskatchewan, British Columbia and the Northwest Territories. Diamond drilling with two machines commenced in late June on the large Saskatchewan claim holdings to test numerous geological and geophysical targets. This drilling will continue into September.

Investments

The quoted market value of investments (consolidated), exclusive of items reflected in working capital, was $5,400,000 as at June 30, 1977.

Since year-end, management has continued to evaluate potential acquisitions of oil and gas production. Currently, the company is negotiating on a specific acquisition which would involve an investment in the $5,000,000-$6,000,000 range.

On behalf of the Board,

M. P. CONNELL,
President.

Toronto, Ontario,
August 24, 1977.

International Mogul Mines Limited

Consolidated Statement of Income

For the six months ended June 30
(unaudited)

	1977	1976
REVENUE		
Interest and dividends	$ 439,000	$ 145,000
Royalty income	6,000	12,000
Gain on disposal of investments	48,000	195,000
	493,000	352,000
EXPENSE		
Exploration and development expense	542,000	20,000
Administrative and general expense	270,000	343,000
Other	4,000	98,000
	816,000	461,000
LOSS BEFORE EXTRAORDINARY ITEM	323,000	109,000
Extraordinary item	—	1,060,000
NET INCOME (LOSS) FOR THE PERIOD	(323,000)	951,000
Provision for dividends on preference shares	175,000	175,000
NET INCOME (LOSS) APPLICABLE TO COMMON SHARES	$ (498,000)	$ 776,000
Per Common Share (after preference share dividends)		
Income (loss) before extraordinary item	$ (0.20)	$ (0.12)
Net income (loss) for the period	$ (0.20)	$ 0.31

Note: Certain comparative figures in the accompanying financial statements have been reclassified to conform with presentation adopted at December 31, 1976.

Mining Exploration Interests

International Mogul Mines Limited holds 25% of the Conwest Group's 20% participation in the Conwest Canadian Uranium Exploration Joint Venture which operated for its second full year during 1977. The report of Dr. E. F. Evoy, Technical Director, is appended.

The Company and the Saskatchewan Mining Development Corporation entered into a 50:50 joint venture agreement to explore for base metal deposits in the Precambrian of southeast Saskatchewan. Two areas, comprising a total of about 300 square miles were selected for investigation. The first phase of the programme consisted of combined airborne electromagnetic and magnetic surveys. Follow-up work is under way. The Company is the operator of the programme.

The Lake Ainslie barite-fluorite property on Cape Breton Island was maintained in good standing. Limited metallurgical investigations will be conducted during 1978.

The Company owns the former producing Lorado and Dyno uranium mines. The remaining reserves at these properties have not been rendered economic by the recent dramatic increase in the uranium price. Each property has a certain exploration potential and discussions are being held with interested parties.

The Company holds an 82.5% interest in a nickel prospect in Langmuir Township, near Timmins, Ontario, on which a deposit containing 746,000 tons of approximately one percent nickel has been outlined. The property is located within two miles of the Noranda/International Nickel joint venture 700 tons per day milling plant. Due to the weakness of world nickel markets this operation was shut down in 1977 and it is uncertain at this time whether or not the mine will be reopened. The economic viability of the Company's deposit is contingent on the reopening of this mine and a satisfactory arrangement being made with the Noranda-International Nickel group as to the exploitation of the deposit.

The Company holds a 37.8% interest in Delhi Pacific Mines Limited. Delhi retains a two percent gross royalty interest in a uranium property in the Blind River area of Ontario optioned to Canuc Mines Limited. Delhi Pacific also owns 20 claims adjacent to the Goldstream River prospect of Noranda Mines Limited near Revelstoke, B.C. Exploration to date on the Company's claims has not detected signficant drill targets.

The Company holds a 7.1% interest in New Quebec Raglan Mines Limited. Falconbridge Nickel Mines Limited beneficially owns approximately 68.3% of Raglan. No work was carried out in 1977 on Raglan's property which comprises over 300 square miles in the Cape Smith-Wakeham Bay nickel/copper belt of the Ungava Region of Quebec. Current quoted market value of the Company's interest in Raglan is approximately $750,000.

Duncan Range Iron Mines Limited in which your Company held a 37% interest surrendered its Mining Exploration Permit covering low grade iron deposits in Northern Quebec and the Company's investment of $527,000 has been written off.

Subsequent to December 31, 1977, the Company and Delhi Pacific have, subject to regulatory approval, sold their interest in Harlow Wright Inc. for $725,000.

The Company has a 20% interest in the Cordex Syndicate which owns the Pinson and Preble gold deposits in the State of Nevada. The development of the property does not appear justified at a gold price of less than $200 per ounce. During 1977, limited drilling was conducted on a parallel gold bearing structure to the Pinson deposit. This drilling did not add significantly to mineral reserves.

The Company holds a 34.4% interest in Israel Continental Oil Company Limited. The latter company has a 65% interest in a copper prospect in the State of Washington known as the Lone Star. The Lone Star Unit, an amalgamation of the property owners, concluded an agreement with Granby Mining Corporation in June 1976 which provided that Granby will mine the ore and treat it at their Phoenix, British Columbia, facilities and pay to the Lone Star Unit holders a scaled royalty based on the price of copper. Mining operations commenced in late 1977. Whether any significant revenue will accrue to the Lone Star Unit is contingent upon a considerable increase in the price of copper from current levels. The Company's investment of $262,000 in this project has been written off.

During the year it was determined that your Company has no further economic interest in Intermogul Mines Limited and Intermine Limited which companies have held properties in Italy, Spain and the United Kingdom for a number of years. The Company's investment of $1,613,000 in these companies has been written off.

Respectfully submitted

C. K. O'Connor
Vice-President, Exploration
and Development

Report on the Conwest Canadian Uranium Exploration Joint Venture

1977 was the second full year of an initially planned five year program. The participants include Central Electricity Generating Board, Eldorado Nuclear Limited, Electrowatt Limited, Empresa Nacional Del Uranio, S.A., along with the Conwest Group. All participants contribute equally to an indexed annual budget of $1,500,000. The Saskatchewan Mining Development Corporation holds a 33⅓ percent interest and contributes correspondingly to all current projects within Saskatchewan.

The Joint Venture holds two large, well-located groups of claim blocks in Saskatchewan overlying the southeast edge of the Athabasca Basin for an aggregate length of about 55 miles, between the new Key Lake uranium deposits, and those of Gulf Minerals near Wollaston Lake. Other properties are held in the Cambrian Lake area of northern Quebec and in western Newfoundland.

In Saskatchewan during the past twelve months approximately 160 shallow core holes were drilled providing cumulative footage of about 39,000 feet. Most of the drilling has been at the east end of the property, near Michael and Mitchell Lakes. Uranium mineralization regarded as anomalous has been intersected in four locations within this area. This work is continuing, and will be augmented in selected areas by additional geochemistry and ground surveys.

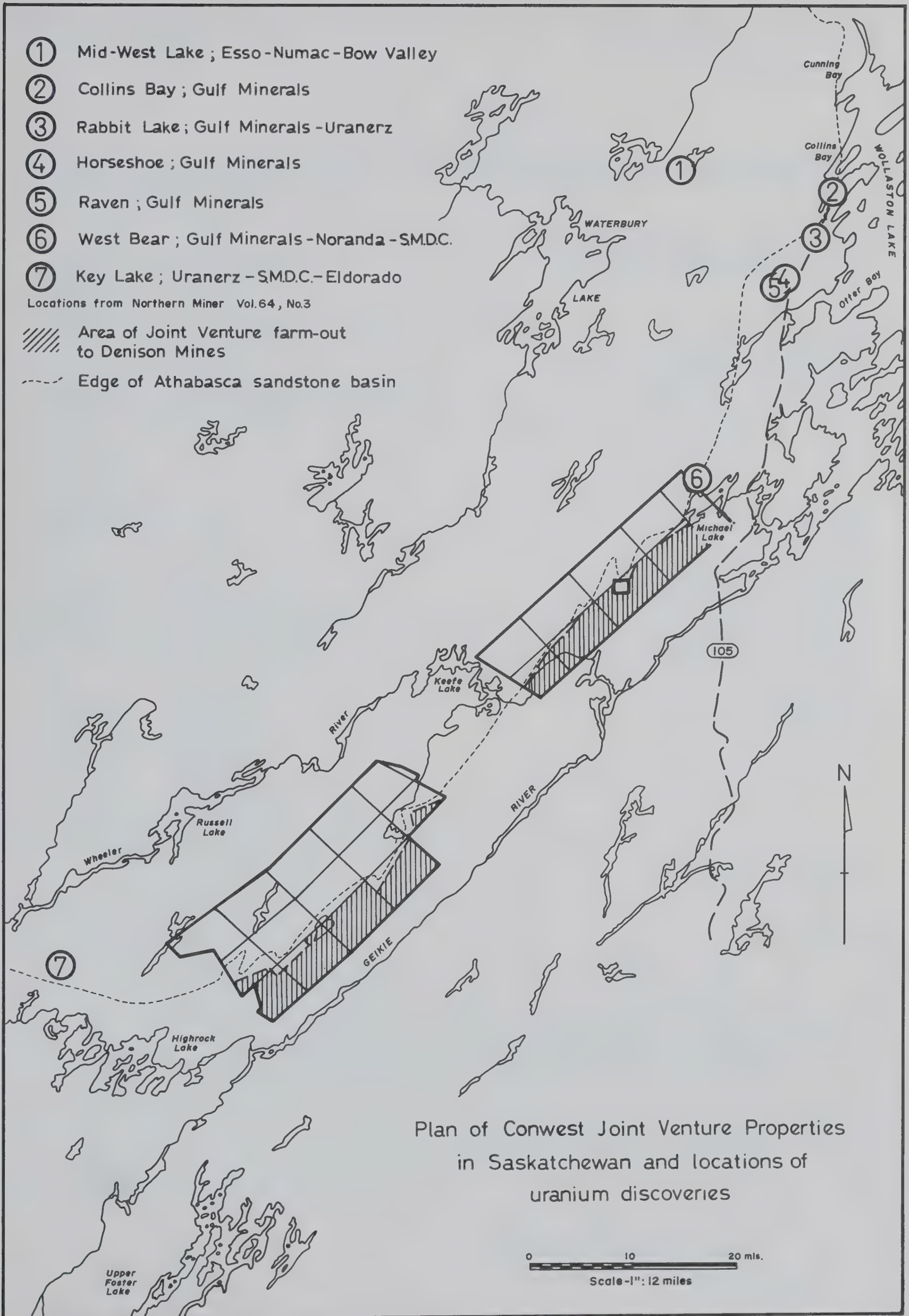
Subsequent to the year end an Agreement has been concluded with Denison Mines Limited whereby Denison may earn an interest in a part (approximately 100,000 acres) of the Saskatchewan claim blocks. Denison will conduct exploration on the farmed-out lands and may earn a half interest in the Joint Venture's interest by the expenditure of $1,000,000.

In Quebec the investigation of lake sediment anomalies first located in 1976 has led to the discovery of numerous radioactive boulders on the Company's permits. During the coming field season the prospective areas will be further explored by ground prospecting, mapping, trenching and geophysical work in anticipation of a fall or winter drill program.

The Newfoundland claims have yielded highly anomalous lake sediment and soil geochemical anomalies, but other exploratory techniques have failed so far to define drill sites. The data is being re-evaluated, and the next stage of investigation has not yet been determined, however, the geochemical assays are of sufficient magnitude that additional work is obligatory.

Respectfully submitted,

Dr. E. F. Evoy,
Technical Director.



Plan of Conwest Joint Venture Properties in Saskatchewan and locations of uranium discoveries

International Mogul Mines Limited
(Incorporated under the laws of Ontario)
and subsidiary companies

Consolidated Balance Sheet

December 31, 1977

ASSETS	1977	1976
CURRENT ASSETS		
Cash, term deposits and commercial paper	**$ 3,341,000**	$ 9,992,000
Accounts receivable	**707,000**	239,000
	4,048,000	10,231,000
INVESTMENTS (note 3)	**5,265,000**	4,102,000
OIL AND GAS INTERESTS (notes 2 and 4)	**5,457,000**	
MINING INTERESTS (note 5)	**2,193,000**	4,494,000
	$ 16,963,000	$ 18,827,000

LIABILITIES	1977	1976
CURRENT LIABILITIES		
Dividends payable	**$ 88,000**	$ 88,000
Accounts payable and accrued liabilities	**534,000**	351,000
	622,000	439,000
INTEREST OF MINORITY SHAREHOLDERS	**36,000**	35,000
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (notes 6 and 7)	**16,898,000**	16,898,000
CONTRIBUTED SURPLUS	**2,078,000**	2,078,000
RETAINED EARNINGS (DEFICIT)	**(1,823,000)**	225,000
	17,153,000	19,201,000
COST OF COMMON SHARES ACQUIRED (note 6)	**848,000**	848,000
	16,305,000	18,353,000
	$ 16,963,000	$ 18,827,000

Subsequent events (note 11)

Approved by the Board

M. P. CONNELL, Director

J. C. LAMACRAFT, Director

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Year ended December 31, 1977

	1977	1976
WORKING CAPITAL DERIVED FROM		
Operations	**$ 633,000**	
Fixed asset disposals		$ 27,000
Proceeds on sale of Irish and Australian operations net of working capital disposed of $1,386,000		10,096,000
Disposal of property interests	**60,000**	59,000
Interest in Coldstream Mines Limited		254,000
Disposal of investments and reduction in advances	**3,043,000**	6,360,000
	3,736,000	16,796,000
WORKING CAPITAL APPLIED TO		
Operations		178,000
Investments	**3,996,000**	3,108,000
Oil and gas interests	**5,594,000**	
Mining interests	**162,000**	504,000
Preference share dividends	**350,000**	350,000
Other		26,000
	10,102,000	4,166,000
Increase (decrease) in working capital position	**(6,366,000)**	12,630,000
Working capital (deficiency) at beginning of year	**9,792,000**	(2,838,000)
WORKING CAPITAL AT END OF YEAR	**$ 3,426,000**	$ 9,792,000

Auditors' Report

To the Shareholders of
INTERNATIONAL MOGUL MINES LIMITED

We have examined the consolidated balance sheet of International Mogul Mines Limited as at December 31, 1977 and the consolidated statements of income, retained earnings (deficit) and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1977 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Thorne Riddell & Co.
Chartered Accountants

Toronto, Canada
May 19, 1978

CONSOLIDATED STATEMENT OF INCOME

Year ended December 31, 1977

	1977	1976
REVENUE		
Interest and dividends	$ 735,000	$ 560,000
Oil and gas production	489,000	20,000
Gain (loss) on investments	208,000	(120,000)
	1,432,000	460,000
EXPENSES		
General exploration and administrative	428,000	545,000
Oil and gas production	67,000	
Corporate	88,000	90,000
Depletion and depreciation	139,000	4,000
Interest	4,000	105,000
	726,000	744,000
INCOME (LOSS) BEFORE UNDERNOTED	706,000	(284,000)
Deferred acquisition, exploration and development costs written off (note 5)	2,403,000	1,077,000
	(1,697,000)	(1,361,000)
Interests of minority shareholders in income (loss)	1,000	(94,000)
LOSS BEFORE EXTRAORDINARY ITEMS	1,698,000	1,267,000
Extraordinary items		1,588,000
LOSS FOR THE YEAR	$ 1,698,000	$ 2,855,000
PER COMMON SHARE (after preference share dividends)		
Loss before extraordinary items	$0.83	$0.66
Loss for the year	$0.83	$1.30

CONSOLIDATED STATEMENT OF RETAINED EARNINGS (DEFICIT)

Year ended December 31, 1977

	1977	1976
RETAINED EARNINGS AT BEGINNING OF YEAR	$ 225,000	$ 3,430,000
Loss for the year	1,698,000	2,855,000
	(1,473,000)	575,000
Preference share dividends	350,000	350,000
RETAINED EARNINGS (DEFICIT) AT END OF YEAR	$ (1,823,000)	$ 225,000

Notes to Consolidated Financial Statements

Year ended December 31, 1977

1. Summary of Significant Accounting Policies

(a) Basis of Consolidation

The consolidated statements include the accounts of the Corporation and its subsidiaries, the principal ones being:

	Mogul equity
Canadian Vendbar Industries Limited	100%
I.M.M. Ventures Limited	100%

(b) Investments

Investments are valued at cost or less depending upon the underlying value of the investment, its quoted market value and Corporation investment policies. Because of the number of shares held in certain companies, the quoted market values are not necessarily indicative of the value of such investments, which may be more or less than indicated by market quotations.

(c) Oil and Gas Interests

The Corporation follows the full cost method of accounting for oil and gas interests whereby all costs of exploring for and developing oil and gas reserves are capitalized. Such costs include land acquisition costs, geological and geophysical expenses, carrying charges on non-producing properties and costs of both productive and unproductive drilling. Proceeds received on disposal of properties are credited against such costs.

Depletion of costs accumulated is provided using the composite unit of production method based on total proven reserves of oil and gas. Depreciation of petroleum equipment is provided on the composite unit of production method based on the total proven reserves of oil and gas.

(d) Mining Interests

The Corporation holds various non-producing interests in mining in various areas of the world. These interests are carried at acquisition cost together with the cost of direct exploration and development work thereon. It is the Corporation's practice to defer the costs of these interests and carry them as an asset to be amortized against future production. When the Corporation determines that it has no further interest in the property, project or lease, the related costs are written off to income.

(e) Loss per Common Share

Loss per common share is calculated using the weighted average number of common shares outstanding during the year net of common shares purchased and held by the Corporation. Dividend requirements of first preference shares are deducted for purposes of these calculations.

2. Acquisition of Oil and Gas Interests

Effective September 30, 1977 the Corporation purchased 100% of Scotfield Oil & Gas Ltd. and Myrol Petroleums Ltd., which companies had producing and prospective oil and gas interests in Alberta, for a net cash consideration of $4,780,000. Scotfield and Myrol were wound up into the Corporation in December, 1977. The Corporation has accounted for these acquisitions using the purchase method of accounting and has consolidated the results of their operations from October 1, 1977.

The Corporation has assigned the following costs to the net assets of Scotfield and Myrol at September 30, 1977:

Current assets	$ 587,000
Current liabilities	1,267,000
Net working capital deficiency	(680,000)
Petroleum and natural gas leases and rights and equipment thereon	5,460,000
Net cash consideration	$4,780,000

3. Investments

	1977	1976
With quoted market value (quoted market value $6,321,000; 1976, $4,318,000)	$ 4,834,000	$ 3,539,000
Without quoted market value	109,000	141,000
Advances which includes indebtedness of $147,000 (1976, $145,000) from effectively controlled companies which are shareholders of the Corporation	322,000	422,000
	$ 5,265,000	$ 4,102,000

4. Oil and Gas Interests

Petroleum and natural gas leases and rights together with exploration and development thereon	$4,959,000
Production and other equipment	635,000
	5,594,000
Less accumulated depletion and depreciation	137,000
	$5,457,000

5. Mining Interests

Deferred acquisition, exploration and development costs, at beginning of year	$4,494,000
Deferred costs incurred in previous years written off to income of current year	2,403,000
	2,091,000
Deferred costs of current year (net)	102,000
Deferred acquisition, exploration and development costs, at end of year	$2,193,000

6. Capital Stock

Authorized
991,400 First preference shares, par value $20 each
4,000,125 Common shares, without par value

	No. of shares	Par Value and Consideration
Issued (no change during year)		
6% Cumulative redeemable convertible first preference shares, Series A	291,400	$ 5,828,000
Common shares	2,608,097	11,070,000
		$16,898,000

The Corporation is holding 141,200 of its issued common shares, which shares have not been cancelled, at a cost of $848,000.

The Series A shares are convertible into common shares of the Corporation as follows:

(a) up to April 1, 1978 — 1¼ common shares for each Series A share
(b) thereafter to April 1, 1983 — 1 1/9 common shares for each Series A share.

The Corporation is required in each of the twelve month periods from April 1, 1978, to make all reasonable efforts to purchase for cancellation in the open market that number of shares which may be purchased out of the lesser of $300,000 or 10% of the consolidated net earnings available for dividends (as defined) for the immediately preceding fiscal year after deducting dividends paid in that year on the Series A shares. For the period ending April 1, 1979, the Corporation will not be required to purchase any Series A shares.

7. Employee Stock Options

The following employee common stock options were outstanding at December 31, 1977:

Year of Grant	Option Price Per Common Share	Number of Common Shares	Expiry Date
1973	$12.50	4,800	February 12, 1978 (since expired)
1977	$ 2.89	75,000	September 29, 1982
		79,800	

During the year an option on 75,000 common shares was issued at a price of $2.89 per share under the employee incentive stock option plan and options on 7,000 common shares expired.

All options granted under the employee incentive option plan were at a price of not less than 85% of the market value of the common shares at the date of grant. The options are exercisable on a cumulative basis as to 20% of the shares in any one year.

8. Comparative Figures

Certain comparative figures for the year ended December 31, 1976 have been reclassified to conform with the financial statement presentation adopted for 1977.

9. Anti-Inflation Act

The Corporation and its subsidiaries are subject to the Anti-Inflation Act which provides for the restraint of profit margins, prices, dividends and compensation. In management's opinion, the Corporation and its subsidiaries have complied with the provisions of this Act for the year ended December 31, 1977.

Oil and gas production are exempt from the provisions of the Act relating to profit margins and prices since they are regulated by other governmental legislation.

10. Other Statutory Information

Aggregate direct remuneration of the Corporation's directors and senior officers during the year amounted to $158,000 ($365,000 in 1976).

11. Subsequent Events

(a) Harlow Wright, Inc.

Harlow Wright, Inc., a company which controls certain prospective lateritic nickel properties in the State of Oregon, U.S.A., is owned 90% by the Corporation and 10% by Delhi Pacific Mines Limited (37.8% owned by the Corporation). Pursuant to an agreement dated January 19, 1978, the Corporation and Delhi Pacific granted an option to Pan Arctic Explorations Ltd. (N.P.L.) to acquire their interests in Harlow Wright, Inc. for $100,000 cash and 250,000 treasury shares of Pan Arctic.

The transaction closed on March 22, 1978 at which time the initial option consideration of $100,000 cash and 50,000 treasury shares of Pan Arctic was received. In order to maintain the option in good standing and to fully exercise the option, Pan Arctic must issue the balance of 200,000 treasury shares no later than certain agreed upon dates extending up to December 22, 1979.

On March 22, 1978, shares of Pan Arctic, which are listed on the Vancouver Curb Exchange, closed at $3.95 per share.

(b) Pan Arctic Option

Pursuant to an agreement dated May 1, 1978, the Corporation and Delhi Pacific agreed to sell their rights under the January 19, 1978 agreement referred to in (a) above (other than their right to the $100,000 which they have received) for $625,000, of which $312,500 was received on May 5, 1978 and is being held by the Corporation in escrow pending regulatory approval of the sale. Following such approval, the balance of the purchase price will be secured by a non-interest bearing promissory note due October 1, 1978. Completion of this transaction is not conditional upon exercise of the Pan Arctic option.

(c) Preference Shares of Subsidiary Company

On May 5, 1978, I. M. M. Ventures Limited, a wholly owned subsidiary of the Corporation, issued $10,000,000 of cumulative redeemable non-voting first preference shares. The annual dividend rate on these shares from the date of issue to June 30, 1980 will be an amount equivalent to 1⅜% plus ½ the average prime rate of Canadian chartered banks and thereafter to redemption at 1½% plus ½ the average prime rate.

These shares must be redeemed by Ventures on June 30, 1983, but may be redeemed after June 30, 1980 at the option of Ventures. All redemptions of these shares are at par value plus all accrued and unpaid dividends.

The provisions of these shares include a number of restrictions and covenants relating to the operations of Ventures. Contravention of any of these provisions provides the holder of these first preference shares with the right to require their immediate redemption by Ventures.

The Corporation has agreed with the holder that, under certain circumstances, it will purchase the first preference shares from the holder and has secured this obligation by a pledge of securities having a value of approximately $10,000,000.

(d) Oil and Gas Interests

In May 1978, the Corporation sold a 20% interest in its oil and gas interests in Alberta for $1,090,000 cash.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
JUNE 30, 1978

NOTICE IS HEREBY GIVEN that the annual meeting of shareholders of INTERNATIONAL MOGUL MINES LIMITED (the "Corporation") will be held in The Johnston Room 1 & 2 of the Hotel Toronto, 145 Richmond Street West, Toronto, Ontario on Friday, the 30th day of June, 1978 at the hour of 1:30 o'clock in the afternoon (Toronto time) for the following purposes:

1. To receive and consider the consolidated financial statements of the Corporation and its subsidiaries for the year ended December 31, 1977, together with the report of the auditors thereon;

2. To elect directors;

3. To appoint auditors and to authorize the directors to fix their remuneration; and

4. To transact such further or other business as may properly come before the meeting or any adjournment thereof.

DATED the 26th day of May, 1978.

By Order of the Board,

J. A. Patterson,
Secretary-Treasurer.

NOTE: Shareholders who are unable to be present personally at the meeting are requested to sign and return, in the envelope provided for that purpose, the accompanying form of proxy for use at the meeting.

Information Circular

Management Solicitation

This information circular is furnished in connection with the solicitation of proxies by the Management of INTERNATIONAL MOGUL MINES LIMITED (the "Corporation") for use at the annual meeting of the shareholders of the Corporation to be held on Friday, June 30, 1978 at 1:30 o'clock in the afternoon (Toronto time) in The Johnston Room 1 & 2, Hotel Toronto, 145 Richmond Street West, Toronto, Ontario, for the purposes set out in the notice of meeting. The cost of solicitation will be borne by the Corporation.

The form of proxy forwarded to shareholders with the notice of meeting confers discretionary authority upon the proxy nominees with respect to amendments or variations of matters identified in the notice of meeting or other matters which may properly come before the meeting. The shares represented by proxies in favour of Management nominees will be voted at the meeting.

Management knows of no matters to come before the meeting other than the matters referred to in the notice of meeting. However, if any other matters which are not now known to Management should properly come before the meeting the shares represented by the proxies in favour of Management nominees will be voted on such matters in accordance with the best judgement of the proxy nominee.

Proxies given by shareholders for use at the meeting may be revoked at any time prior to their use. In addition to revocation in any other manner permitted by law, a proxy may be revoked by an instrument in writing executed by the shareholder or by his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited either at the head office of the Corporation at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used or with the chairman of such meeting on the date of the meeting or adjournment thereof, and upon either of such deposits the proxy is revoked.

Voting Shares and Principal Holders Thereof

The authorized capital of the Corporation is divided into 991,400 First Preference Shares with a par value of $20 each, issuable in series, of which 291,400 are designated as 6% Cumulative Redeemable Convertible First Preference Shares, Series A, constituting the first series of First Preference Shares, and 4,000,125 Common Shares without par value, 291,400 First Preference Shares, Series A and 2,608,097 Common Shares are issued and outstanding as fully paid and non-assessable. The Corporation has purchased, and is the holder of, 141,200 Common Shares of the Corporation. Under the provisions of The Business Corporations Act (Ontario) the Corporation is not entitled to vote these Common Shares. Holders of the remaining 2,466,897 outstanding Common Shares (the "equity shares") of record at the close of business on June 28, 1978 will be entitled to one vote per share at the meeting.

To the knowledge of the directors and senior officers of the Corporation, the only person who beneficially owns, directly or indirectly, equity shares of the Corporation carrying more than 10% of the voting rights attached to all equity shares of the Corporation is Conwest Exploration Company Limited ("Conwest") which beneficially owns 1,211,321 Common Shares, being 49.1% of the outstanding equity shares of the Corporation.

Election of Directors

Each of the persons whose name appears hereunder is proposed to be elected as a director of the Corporation to serve until the next annual meeting of shareholders or until his successor is elected or appointed. It is intended that the shares represented by proxies in favour of Management nominees will be voted in favour of the election of such persons as directors of the Corporation. In the event that any vacancies occur in the slate of such nominees, it is intended that discretionary authority shall be exercised to vote such proxies for the election of any other person or persons nominated by Management as directors.

Name and Office Held	Principal Occupation	Year First Elected or Appointed as a Director	Common Shares of the Corporation Beneficially Owned Directly or Indirectly as at May 26, 1978
Martin P. Connell Chairman of the Board	President, Conwest Exploration Company Limited (a mining exploration company)	1975	1
Colin C. Coolican(1) Director	Partner, McCarthy & McCarthy (Barristers and Solicitors)	1977	1
Donald J. Hains Director	President, Lurgi Canada Limited (an engineering company)	1976	1
Ian F. T. Kennedy(2) Vice-President and Director	Vice-President, Conwest Exploration Company Limited	1975	1
John C. Lamacraft President and Director	President of the Corporation	1975	3,819

NOTE: (1) Each of the above nominees, other than Mr. Coolican, has been elected to his present term of office by a vote of shareholders at a meeting, the notice of which was accompanied by an information circular. Mr. Coolican has been associated with, or a partner in, McCarthy & McCarthy for the past five years.

(2) Conwest is an associate of Mr. I. F. T. Kennedy. Reference is made to "Voting Shares and Principal Holders Thereof" above for particulars of the shareholdings of Conwest in the Corporation.

Remuneration of Management and Others

During the financial year ended December 31, 1977, the aggregate remuneration paid by the Corporation and its subsidiaries to the directors and senior officers of the Corporation was $158,000.

The Corporation has entered into an agreement with a senior officer of the Corporation to provide assistance in purchasing a house for his own occupation. Since the commencement of the Corporation's 1977 financial year the maximum indebtedness to the Corporation was $20,000, of which $19,000 remains outstanding. This indebtedness is non-interest bearing and is repayable $1,000 per annum with the balance payable November 1, 1982.

On September 20, 1977 the President was granted an option to purchase 75,000 common shares of the Corporation at a price of $2.89 per optioned share. The option expires September 29, 1982 and the number of optioned shares which may be purchased in any 12 month period from the date of grant shall not be greater than 1/5 of the optioned shares plus that number of optioned shares which the officer would have purchased under the option agreement if the officer had purchased 1/5 of the optioned shares in each year in which the option was in existence prior to the said year and less the number of optioned shares purchased under the option agreement prior to the said year. During the 30 day period preceding the date of grant the common shares of the Corporation traded in the range of $2.70 to $3.50 on The Toronto Stock Exchange.

Appointment of Auditors

Management proposes to nominate Thorne Riddell & Co., the present auditors, as auditors of the Corporation to hold office until the close of the next annual meeting of shareholders. It is intended that the shares represented by proxies in favour of Management nominees will be voted in favour of the appointment of Thorne Riddell & Co. as auditors of the Corporation and the authorization of the directors of the Corporation to fix their remuneration.

DATED May 26, 1978.

Printed in Canada.